



## Average Annual Growth Rate 1965-68

Percent

	Real GNP	Real GNP per Capita	Population	Exports	Comments on Economic Growth
Philippines	6.0	2.5	3.5	3.4	Mainly stagnant except for increased rice production
Taiwan	10.5	8.0	2.5	16.7	High rate attributable largely to exports of manufactured goods to the United States
Thailand <u>a/</u> <u>b/</u>	7.5	4.0	3.5	2.7	Moderate progress
Nepal <u>a/</u>	2.5	0.5	2.0	3.8	Stagnant -- mainly subsistence economy
Afghanistan <u>a/</u>	2.0	0.0	2.0	0.5	Stagnant -- mainly subsistence economy
Malaysia	7.5	4.5	3.0	5.0	Moderately good progress based on exports of raw materials -- rubber, tin and wood
Singapore	6.5	4.0	2.5	10.9	Moderately good progress based on entrepot services and exports of manufactures
Indonesia <u>a/</u>	2.0	-0.5	2.5	8.4	Since 1967 moderate progress -- about 4% annual GNP real growth
Australia	5.0	3.0	2.0	3.8	Economic upturn since 1966 due to exploitation and export of minerals
New Zealand	4.0	2.5	1.5	-1.5	Progress inhibited by sluggish export markets
South Vietnam <u>c/</u>	3.5	1.0	2.5	-29.0	War-torn economy
South Korea	10.5	8.0	2.5	39.8	High rate attributable largely to exports of manufactured goods to the United States
India <u>a/</u>	2.0	-0.5	2.5	0.0	Mainly stagnant except for moderately improved agriculture since 1967
Communist China <u>a/</u>	2.0	0.0	2.0	1.9	Stagnation due to upheavals of Cultural Revolution
Japan	10.5	9.5	1.0	18.1	High rate attributable to growth of domestic market and exports
United States	5.0	4.0	1.0	6.8	

a. GNP and population figures are highly suspect because of statistical collection systems used by each country.

b. GNP and GNP growth rates likely overstated because of statistical collection system used by country.

c. GNP data overstated because of unrealistic official piastres/dollar exchange rate.

Next 13 Page(s) In Document Exempt

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23 October 1968

BRIEFING PAPER FOR DCI

THE THREAT TO LAOS

- I. The Communist threat to the Royal Government in Laos is direct, continuing, and serious.
  - A. It consists largely of a substantial presence of regular North Vietnamese combat troops whose presence Hanoi has never admitted.
    1. North Vietnam will have about 67,000 men in Laos when a new division now moving toward the Plaine des Jarres completes its deployment.
    2. In contrast, the indigenous Laotian Communists--the Pathet Lao--number about 46,000, and there are some 6,000 Chinese Communists in northwestern Laos, engaged in road-building for the most part.
  - B. The primary and immediate Communist mission in Laos is to secure and operate the Ho Chi Minh trail for the infiltration of men and supplies to South Vietnam.
  - C. The longer-range objective is to install a Communist government in Laos. This struggle began more than ten years ago, when the Pathet Lao forces refused integration into the regular Laotian

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armed forces, and chose civil war.

1. By the time the Geneva Accords brought a temporary end to the fighting, the Pathet Lao--with North Vietnamese participation and Soviet and Chinese help--controlled two-thirds of the country.
2. The Communists chose to retain exclusive control of that two-thirds, rather than return it to government control in exchange for a substantial share in a coalition government established by the Geneva Agreements.

The Pathet Lao

- II. That decision has worked to permit continued use of the Ho Chi Minh Trail by the North Vietnamese, but it has worked to the disadvantage of the Pathet Lao and their longer-range objectives.
  - A. They control less territory and far fewer people than they did at the time of the Geneva talks.
    1. More than 300,000 of the refugees from Communist-controlled areas have moved over to the government side since 1962.
    2. The Royal Government has become stronger, and pro-government forces are more effective, while the Pathet Lao have lost some of their elan and momentum.
  - B. Pathet Lao morale is low after several years on

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the short end of the fighting, under considerable air harassment.

1. The figure of 46,000 local Communist combat and support troops has remained relatively stable for several years.
  2. Combat capability of many of their units is close to nil.
- C. Many of the Pathet Lao deficiencies, however, are matched on the government side.
1. The Communists still appear to have dedicated leadership, and a small but committed cadre of men who believe in what they are doing.
  2. They are better organized than the government, and have a sharper sense of political realities in the countryside.
  3. If the military pressure lets up, the Pathet Lao might make a strong comeback.
- D. It is hard to say, however, what the Lao Communists realistically hope to gain in the near future. They realize that they are woefully dependent on North Vietnam for their very existence. To a great extent, what they ultimately achieve will depend on how hard and how far Hanoi is willing to press their case.
1. At present, the Lao Communist leaders--on the basis of their earlier experiences--must have a pessimistic outlook.

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2. They have converted Prime Minister Souvanna Phouma from his earlier neutralism to strong anti-Communism by withdrawing from his tripartite government, and by forcibly denying him authority over Communist-held areas.
3. Now their hope of winning the entire country--or even controlling what they have--depends entirely on Hanoi.

North Vietnam

- I. North Vietnam is in charge of the Communist effort in Laos. Over the past ten years, it has had two principal objectives there: first, to make sure that those portions of Laos which border on Vietnam remain in Communist hands; and second, to help build and support a Laotian Communist movement which might some day be in a position to win control over all of Laos.
  - A. These two objectives are somewhat complementary, but Hanoi has clearly demonstrated that if it comes to a choice, control of the border areas is much more important than the future of the Pathet Lao.

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1. North Vietnam has deployed in Laos some 55,000 troops--a figure which is now being increased by an additional division. The majority of these forces are located in the south, where they help maintain and protect the vital infiltration corridor to South Vietnam.
  2. There are, however, at least 15,000 North Vietnamese troops in northern Laos, where they have been trying to drive government forces from so-called "liberated areas," for the past two years. We believe that the additional 12,000 North Vietnamese troops moving into Laos have the mission of recapturing the Plaine des Jarres from Vang Pao's guerrillas.
- B. There has been a fairly well-established seasonal pattern in the fighting; progovernment forces have advanced in the rainy seasons, and were pushed back by the Communists in good weather. In the aggregate, however, North Vietnamese activity in Laos has amounted essentially to a holding action--a defensive strategy recognizing the priority of the fighting in Vietnam.

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1. This course has involved a certain amount of risk, not the least of which has been the opportunity for Souvanna Phouma to consolidate his power both politically and militarily. The Lao Communists and finally the North Vietnamese themselves have had to pay a price for letting Laos drift.
2. Starting early last year, Hanoi began to rectify the situation. This meant, as a first step, erasing the considerable territorial gains made by the government. We believe that this process will continue.
3. There is also cause for concern, however, that the level of North Vietnamese military activity in Laos may no longer be simply a response to the situation within Laos, but may also begin to reflect Hanoi's frustration in South Vietnam. Hanoi may have decided that it can increase its pressure on the United States by stronger campaigns in Laos.
4. The progovernment forces in Laos have improved over the past five or six years, but without major outside intervention,

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they would be unable to stem a multi-divisional North Vietnamese offensive.

5. We have long estimated, for example, that the North Vietnamese could readily seize the entire Panhandle of Laos and establish themselves on the Mekong if they wished, but that they probably assumed this would provoke major foreign intervention. They may now consider this development less likely.

- C. We believe that ultimately, North Vietnam wants a Communist-controlled Laos. It is not their primary objective, however, and we continue to believe that there is a fair-to-middling chance that Hanoi will settle for a good deal less for the near term.

#### Communist China

- I. The Chinese Communists have played a limited but continuing role in Laos at least for the past 10 years.

- A. In the early days of the build-up of the Pathet Lao forces--roughly from 1959 to 1962--the Chinese helped out directly by providing ammunition and other military supplies to Pathet Lao elements in northern Laos.

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B. Now, according to North Vietnamese prisoners and defectors, most of the Chinese aid to the Pathet Lao is channeled through the North Vietnamese.

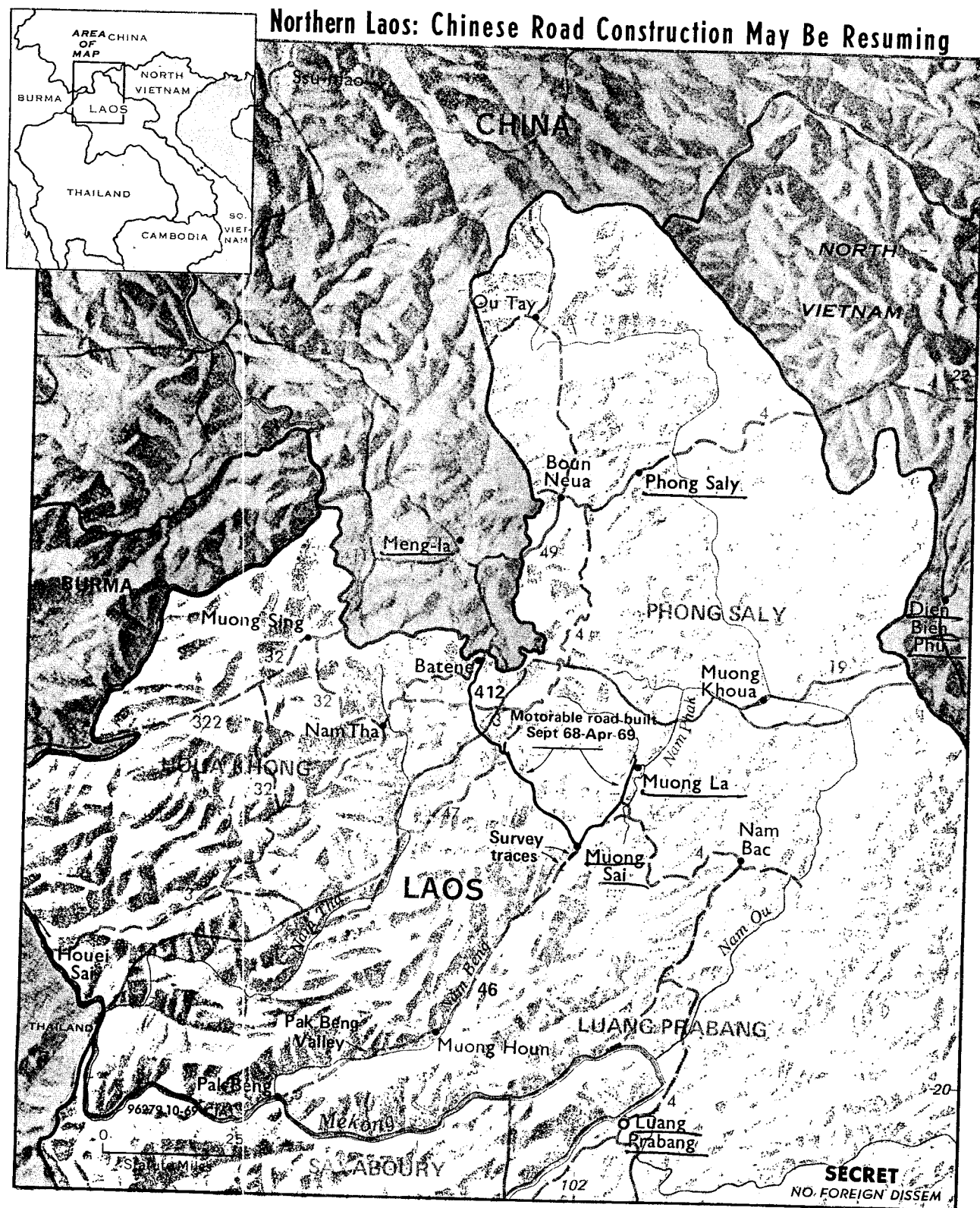
1. This is true even in northwestern Laos, which is linked by roads and trails with China but almost entirely cut off from direct North Vietnamese access.
2. There are no hard figures on the amount of Chinese assistance reaching the Pathet Lao, but it is reasonably clear that the aid is important and even--in some areas--critical.

II. Peking's principal and most obvious activity in Laos in recent years has been road-building.

A. In 1962, when Prime Minister Souvanna established his coalition government, he asked the Chinese Communists to build a short road from Meng La, in China's Yunnan Province, into inaccessible Phong Saly, the northern lobe of Laos that juts out between China and North Vietnam.

1. The Chinese completed this road to the town of Phong Saly in April, 1963.

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2. There was some discussion at the time of further road-building, but China and the Laotian government reached no agreements.
3. The Chinese went ahead on their own to build one other small road in Laos in 1964, and to maintain the Phong Saly road in 1966. By this time, Souvanna's authority clearly stopped short of the northern province.

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3. The spur running back to Muong La is apparently designed to link up with a North Vietnamese road from Dien Bien Phu. This for the first time would enable Hanoi to send supplies directly to Lao and Vietnamese forces in northwest Laos.

III. All of this Chinese construction activity raises certain questions about Peking's future role in Laos.

A. We believe that the 6,000 Chinese now in Laos and their activities there are fundamentally meant to support the efforts of the North Vietnamese and the Pathet Lao.



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The Soviet Union

I. The Soviets do not appear to have much by way of long-range objectives in Laos.

A. Most of the evidence suggests that the Soviets still hope that the 1962 agreements can somehow

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provide the framework for a solution with which all the parties can be reasonably comfortable.

1. Moscow acknowledges Souvanna's regime as the legitimate government of Laos, despite the fact that his reliance on U.S. help has undoubtedly made it increasingly difficult for the Soviets to justify this recognition to Hanoi.

2. The Soviets are torn between their obligations to Hanoi and their evident desire for the struggle for control of Laos to be waged by political rather than military means.

B. The Soviets also have some fears regarding the possible expansion of Chinese influence in Laos.

1. They have gone so far as to ask U.S. officials why airstrikes have not been directed at the Chinese road-building in north Laos.

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C. Soviet concern over the Chinese is an additional reason why Moscow would like to see the status quo maintained in Laos insofar as possible. With Soviet vital interests only peripherally engaged, however, it is unlikely that Moscow would do very much to save Souvanna's government if Hanoi decides the time has come for a change.

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Next 14 Page(s) In Document Exempt

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